

Preparing For Retirement

We have developed this fact sheet to assist you in planning your retirement. You can also obtain additional information on the topics below by accessing the ABC-C web page at <http://www.abc.army.mil/> and by clicking on "EBIS" and/or "Benefits and Entitlements Information". In addition, you can obtain documents from our fax back system, which can be accessed through our automated phone system. If you need retirement counseling or have questions regarding the retirement process, you may contact our automated phone system and speak to a counselor at the Army Benefits Center-Civilian by calling 1-877-ARMYCTR (1-877-276-9287). Hearing impaired customers should call TDD 1-877-ARMYTDD (1-800-276-9833).

Making The Decision

Often times, the hardest decision is choosing your retirement date. The first step to making this decision is to determine when you are eligible to retire. Once you have that determined, you can establish a tentative retirement date and begin to adequately prepare for your retirement.

Determining Eligibility

If you are covered under the Civil Service Retirement System (CSRS), you must have at least 5 years of creditable civilian service and be subject to CSRS for 1 out of the 2 years of service preceding the separation on which your retirement is based (this requirement does not apply in disability retirement cases). If you are under the Federal Employees' Retirement System (FERS), you must have at least 5 years of creditable civilian service to be eligible for an annuity and be covered by the retirement system on the day of your separation. (Exception: The service requirement for disability retirement is 18 months). To qualify for an immediate retirement under either system, you must meet the age and service requirement as follows:

CSRS		FERS	
		Age	Years of Service
		62	5
Age	Years of Service	60	20
62	5	Minimum Retirement Age	30
60	20	Minimum Retirement Age	10 (Reduced Benefit)
55	30		

Commencement Date of Annuity:

If you retire voluntarily under the Civil Service Retirement System (CSRS), you can set your retirement date for the first, second, or third day of the month, and your annuity begins the following day. For example, assuming your retirement effective date is April 3rd, the annuity check you receive on May 1st is your annuity payment

for the period from April 4th to April 30th. If you retire voluntarily on the fourth day or after, you will not begin to accrue an annuity until the following month. If you voluntarily retire under the Federal Employees' Retirement System (FERS), your annuity will begin the first day of the following month that you retired.

Designation of Beneficiary Forms

There are several types of beneficiary forms that you can complete to designate receipt of your benefits. The forms are: SF 2823 - Designation of Beneficiary, Federal Employees' Group Life Insurance (FEGLI); SF 2808 - Designation of Beneficiary-CSRS; SF 3102 - Designation of Beneficiary-FERS; SF 1152 - Designation of Beneficiary-Unpaid Compensation of Deceased Civilian Employee; and TSP 3 - Designation of Beneficiary-TSP. Beneficiary forms can be obtained from the Office of Personnel Management (OPM) web page at <http://www.opm.gov/forms/index.htm> and TSP web page at <http://www.tsp.gov>. If you previously completed designation of beneficiary forms, you should review the forms to ensure they reflect your current desires.

Making the Civilian Deposit/Civilian Redeposit/Military Deposit

If you were a temporary employee and retirement deductions were not withheld; a rehired Federal employee who previously took a refund; or had post-56 military service for which you have not made a deposit; you may owe a deposit or redeposit in order to receive retirement credit for that period of service. For more information on any of these situations, please review the fax back or web documents entitled "Deposit and Redeposit Under the CSRS", "Deposit and Redeposit Under the FERS", or "Post 56 Military Deposit". If you owe a deposit/redeposit, a Benefits Counselor can compute an annuity estimate for you that will enable you to assess the benefits/detriments of making the deposit. However, if you owe a redeposit for refunded service, you will need to contact OPM to obtain the redeposit amount owed, before contacting a Benefits Counselor to assist you. It is important to remember that the longer it takes to make the deposit/redeposit, the higher the interest owed will be. Additionally, you should note that a deposit/redeposit is required to receive credit for some types of service.

Obtaining the Annuity Estimate

Though not required, you may want to obtain an annuity estimate at least a year before your planned retirement date. This will enable you to make some key retirement decisions and to effectively plan for your retirement. You can obtain an annuity estimate by using the automated phone system or accessing the ABC-C web page at www.abc.army.mil. Your annuity is based upon your high 3 average salary not your current salary. When using the automated system and computing a real-time/on-line annuity estimate, you will need to project your high 3 average salary. We suggest you use approximately 94% of your current annual salary as your high 3 salary.

If you are a firefighter, law enforcement personnel, air traffic controller, or a retired military combining your service, you should use the web application to obtain an annuity estimate because the telephone-automated system is not able to compute

an estimate for you. If you are employee with part-time service or if you have civilian temporary service for which you took a refund of your retirement contributions, or post-56 military service for which you have not made a deposit, you should talk to a counselor to obtain a retirement estimate. This is particularly important if you are a FERS employee. Counselors are available Monday through Friday, from 7 a.m. to 5 p.m. CST. The best times to reach a counselor are between 8 a.m. – 11 a.m. and 1:30 p.m.- 4 p.m.

Credit For Sick Leave:

Under CSRS, the total creditable civilian and military service combined with credit for sick leave, is used in computing the annuity payments. The total is then rounded down to include only full years and months (not days). For example, an employee with 30 years, 6 months, 28 days of service can increase the total service to 30 years, 7 months by delaying the retirement date by two days (30 days equals one month). However, you should consider all aspects carefully, keeping in mind that the Office of Personnel Management (OPM) will compute your official length of service. In most cases, one month of service increases your annuity by one-sixth of one percent of the high-three salary. Under FERS, unused sick leave is not counted in length of service for annuity purposes. For those employees who were vested in the CSRS system and later transferred to FERS, the lesser of (1) the amount of sick leave at the time of retirement or (2) the amount of sick leave when FERS was elected, is included in the CSRS portion of the annuity computation.

Understanding Lump Sum Annual Leave Payment

If you retire before the end of the leave year, you will receive a lump sum payment for all of your accrued leave after retirement. However, if you retire after the end of the leave year, your lump sum leave payment will be limited to that maximum amount of leave allowable, which for most employees is 240 hours. For example, If you retire on 3 Jan and the leave year does not end until 5 Jan, you will be paid for your entire balance of annual leave to include your maximum carry over (typically 240 hours). However, if you retire on 7 Jan and the leave year ends on 5 Jan, you will be paid a lump-sum annual leave payment for your accrued annual leave limited to the maximum carry over (typically 240 hours).

Income Tax

Some consideration should be given, if you will be receiving a large lump-sum payment for annual leave at the time of your retirement. Taxes are applied to lump-sum payments in the year in which you receive the money. For example: An employee retiring September 30 could incur a larger tax burden by collecting almost a full year's salary plus a large lump-sum payment for unused annual leave. Information about the taxation of your annuity is explained in IRS Publication 721, which may be obtained free of charge by calling 1-800-Tax-Form.

Considering Survivor Benefits

Part of planning for your retirement is also planning for the benefits that you would want to leave your spouse if he/she survives you. If you are married, you can elect to leave your spouse a full, partial, insurable interest, combination of current/former

spouse, or no survivor annuity. If you are covered under CSRS, a full survivor annuity is 55% of the full annuity base. If you are covered under FERS, a full survivor annuity is 50% of the full annuity base. Additionally, you should consider the effects of any court order upon your annuity. In order for your spouse to continue health benefits, you must elect a survivor annuity. For additional information regarding survivor benefits, please access our home page.

Considering Life and Health Insurance Options

You will be eligible to carry life and health insurance into retirement if you retire on an immediate annuity, are insured on the date of retirement (or covered as a family member under the FEHB program), and have been covered for 5 years of service immediately preceding retirement, or since your first opportunity to enroll. If you were covered under the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS) during the 5-year period immediately preceding retirement or since your first opportunity to enroll in an FEHB plan, you will be eligible to carry health insurance into retirement as long as you are enrolled in an FEHB plan before retirement. If you are eligible for health insurance, your coverage will automatically roll over into retirement without any additional forms to be completed on your part. If you do not want health insurance to continue into retirement, you will need to send a completed SF 2809, canceling your coverage, along with your retirement package. If you are eligible to continue life insurance into retirement, you will need to complete SF 2818, Election of Post Retirement Basic Life Insurance Coverage, and forward it with your retirement package.

Considering Thrift Savings Plan (TSP) Withdrawal

If you have a TSP account, you should begin to look at TSP withdrawal options at least 6 months to a year before your planned retirement date. At retirement, you will have the option to receive one of several types of annuities, transfer your money to an Individual Retirement Account (IRA), receive your account balance in a lump-sum payment, receive equal monthly installments, or defer your election, if eligible. You will need to send TSP-70, Withdrawal Request, to the Federal Retirement Thrift Investment Board once you retire and are ready to withdraw your TSP. You will receive a TSP withdrawal packet from your servicing CPOC that will provide you with information on TSP. You can also obtain additional information on TSP by accessing the TSP web page at <http://www.tsp.gov/>.

Requesting Documentation of Social Security Coverage

It is important to remember that some or all of an employee's Social Security spouse's benefit may be offset if the employee has a Government pension from work not covered by Social Security. This is called the Government Pension Offset (GPO). This does not apply to employees who are automatically covered by FERS, CSRS Offset, or those who elected to transfer to FERS. However, if you elected to transfer to FERS during the 1998 FERS Open Season, you must be enrolled in FERS at least 5 years to avoid GPO. For those employees who receive a Federal pension and are also eligible for Social Security benefits, a different formula may be applied. This reduced benefit is considered the Windfall Elimination Provision (WEP). Additionally, if you are a CSRS Offset employee, your annuity will be

reduced (offset) when you become eligible for Social Security. The offset is applied when the basic requirements for Social Security are met (usually at age 62) even if you do not apply for Social Security. If you are eligible for Social Security benefits, or if your annuity will be affected by Social Security benefits, you should obtain a Request for Earnings and Benefit Estimate Statement (Form SSA-7004) from your local Social Security Office. The Social Security Office will provide you a statement of information on eligibility for Social Security benefits and estimates of these benefits as of specified dates. You can also obtain forms and other information about your Social Security benefits by calling 1-800-SSA-1213, or accessing their web page at <http://www.ssa.gov/>.

Planning for Direct Deposit

Your annuity must be sent through Electronic Funds Transfer (EFT). Therefore, if you are filing a CSRS retirement application you will need to submit a completed SF-1199A, Direct Deposit Sign - Up Form or the Electronic Fund Transfer (EFT) Form, to have your annuity check deposited into your account. The SF 1199A requires you to complete a portion and your bank to complete its portion. The EFT requires your input only. If you are filing a FERS retirement application you will complete the direct deposit information on the FERS Immediate Application to ensure your annuity check is deposited into your account.